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2013 Annual Performance Report

Three Moon Bulk

October 2013

Table of Contents

Introduction	4
Water Usage	4
Routine Expenditure	5
Operations	5
Preventive Maintenance	5
Corrective Maintenance	6
Electricity	7
Non-Routine Expenditure	8
R&E – Annuity Funded	8
Corrective Maintenance	9
Other	9
R&E – Non Annuity	9
Annuity Balance	10
Appendix –Total Expenditure by Expense Type	11

Notes

All financial figures in this report are presented in nominal dollars.

Most of the financial figures in the QCA's final report on SunWater's irrigation pricing were presented in real dollars (\$2011). To convert the QCA report real dollars to nominal dollars, multiply by the following factors; these are based on the QCA's assumed inflation rate of 2.5% p.a.

Table 1 – Conversion Factors for real \$2011 to Nominal Dollars

	2013	2014	2015	2016	2017
Conversion Factor	1.051	1.077	1.104	1.131	1.160

Disclaimer

This report has been produced by SunWater, to provide information for client use only. The information contained in this report is limited by the scope and the purpose of the study, and should not be regarded as completely exhaustive. Permission to use or quote information from this report in studies external to the Corporation must first be obtained from the Chief Executive, SunWater.

Introduction

A recommendation from the 2013-17 review of SunWater's irrigation pricing was for SunWater to produce annual Network Service Plans (NSPs) to help keep customers informed throughout the pricing period. SunWater has decided to also produce this annual Performance Report to show how SunWater performed against the QCA targets for the year just completed.

SunWater values customer feedback and will publish all submissions and SunWater's responses on our website. Customers can provide their feedback via email or post at the following addresses:

Email: nspfeedback@sunwater.com.au

Post: NSP Feedback
PO Box 15536 City East
Brisbane Qld 4002

Water Usage

Table 2 - Water Usage

	No. of Customers	Water Entitlements ML	Available Water ML	Available Water %	Water deliveries ML	Water deliveries % of entitlement	Water deliveries % of available
Industrial		0	0		0		
Irrigation		14,124	14,124	100%	3,838	27%	27%
Urban		610	610	100%	234	38%	38%
Other		0	0		0		
SunWater		0	0		0		
Total	92	14,734	14,734	100%	4,073	28%	28%

QCA Assumed Water Usage for Irrigation 40.0%

QCA Assumed Water Usage for Total 50.8%

Routine Expenditure

Table 3 – Routine Operating Expenditure

	2013 SunWater Actual	% of 2013 Target	2013-17 to date Actual	% of 2013-17 Target	2013-17 QCA Target
	\$'000	%	\$'000	%	\$'000
Operations (Excl. Elect.)	274	115%	274	22%	1,233
Preventative	64	72%	64	14%	459
Corrective	48	354%	48	69%	70
Electricity	8	85%	8	15%	53
Total Routine Expenses	394	113%	394	22%	1,814

Operations

Operation activities include the day-to-day costs of the administration and management of the scheme, water delivery and meeting compliance obligations. Specific activities include¹:

- Schedule and deliver water including processing water orders, monitoring of storage levels, releasing water, and managing river flows;
- Flood operations including emergency preparedness and implementation of Emergency Action Plans for the dam;
- Water quality monitoring including water quality sampling and monitoring of blue green algae;
- Compliance including ROP reporting and BOM reporting;
- Meter Reading;
- Administration of water accounts, billing and receipting payments;
- Customer management including enquiries and complaints and maintaining the customer service help desk;
- Environmental management including operation of fishways, reporting fish deaths, monitoring or noxious weeds, pests and contaminated land;
- Scheme management including licences and permits, rates, land management, planning and reporting;
- Insurance costs;
- Monitoring the security of assets and unauthorised access and trespass; and
- Manage public relations associated with the scheme.

The operations expenditure in 2013 was \$28k above the QCA target. The operation activities for the year included:

- Insurance \$30 k above QCA target.
- Operations costs are expected to increase in future years due to the requirement for increased surveillance of the dam due to recent increased storage levels, in line with ANCOLD guidelines.

Preventive Maintenance

Preventive maintenance is maintaining the ongoing operational performance and service capacity of physical assets to designed standard. Preventive maintenance is cyclical in nature with a typical interval of 12 months or less. Preventive maintenance activities are based on updated work instructions developed for operating the scheme and include an estimate of the resources required to implement that scope of work. Preventive maintenance includes²:

¹ Activities listed will not apply to all service contracts.

² Activities listed will not apply to all service contracts.

- Condition monitoring: The inspection, testing or measurement of physical assets to report and record its condition and performance for determination of preventive maintenance requirements. Assets which the condition is monitored regularly include pumps, electrical motors, valves, gates, switchboards, embankment, spillway, outlet works and associated equipment;
- Servicing: Planned maintenance activities normally expected to be carried out routinely on physical assets including valves, cranes, sump pumps and associated equipment; and
- Weed control is undertaken as part of preventative maintenance. This includes mowing, spraying and other activities to control weeds within the scheme.

Preventive maintenance was \$30k below the QCA's target for 2013.

- The underspend is attributed to the valve house being out of commission due to flooding rectification works.

Corrective Maintenance

Corrective maintenance includes activities to correct unexpected failures or to return an asset to an acceptable level of performance or condition. While corrective maintenance is difficult to forecast with accuracy, such activities can be expected and need to be factored into expenditure forecasts. Forecasts include provision for labour, materials and plant hire.

The corrective maintenance forecast does not include any costs of damage arising from major unexpected events, such as floods. These costs are categorised as non-routine corrective maintenance which is discussed in the following section.

There are two types of corrective maintenance – scheduled and emergency²:

- Scheduled corrective maintenance (maintenance that can be routinely planned and scheduled)
 - Dams
 - Repair of control gates and valves
 - Repair walls, embankments and spillways
 - Repair of concrete structures
 - Weirs
 - Repair of control gates and valves
 - Repair walls and embankments
 - Repair of concrete structures
 - Repair of fishways
 - Barrages
 - Repair of control gates and valves
 - Repair walls, embankments
 - Repair of concrete structures
 - Repair of fishways
 - Roads
 - Repair of pot holes
 - Grade roads
 - Repair, replace and paint guide posts and signs
 - Gauging Stations
 - Repair of instrumentation
 - De-silt gauging weirs
 - Repair concrete structure
 - Repair instrumentation hut
 - Meters
 - Repair bulk water meters
 - Repair customer meters

- Emergency maintenance is maintenance that has to be carried out immediately to restore normal operation, to restore supply to customers or to meet a regulatory obligation (e.g. rectify a safety hazard). Emergency maintenance includes:
 - Repair or correction of control valve faults and other equipment
 - Response to theft or vandalism associated with scheme assets

Corrective maintenance was \$30k above the QCA's target for 2013. The corrective maintenance activities for the year included:

- Repairs to the raw water supply line and pump at the dam recreation facilities.
- De-silting and repairs to Yallambie channel.

Electricity

Electricity costs were \$1k less than the QCA target in 2013 despite increases in regulated electricity prices being higher than the 12.5% increase allowed by the QCA for 2013. This is in line with normal annual variability in electricity costs.

Non-Routine Expenditure

SunWater has developed a whole of life strategy around the replacement and maintenance of its asset portfolio which is based on the concept of optimised life. The key drivers in this approach are the risk and condition of each asset. The current condition of an asset drives an estimate of the future work required to ensure an asset continues to be able to provide the required level of service into the future. SunWater maintains a program of asset inspections and condition assessments which continually updates our knowledge of asset condition. This information feeds into the annual review of the renewals program, the most recent of which was completed in February 2013; items requiring immediate maintenance or replacement are included in the budget for the following year.

While the immediate program for the next year's budget is well defined; the further into the planning timeline, the more uncertain the estimates become. Consequently, the program of works is not a specific forecast of when individual projects are expected to be executed but rather it is portfolio level estimate of works based on the best-available risk and condition information for the service contract as a whole. This information feeds into calculation of the annuity to fund renewals. Having an annuity funding arrangement acknowledges that a long-term view of renewals spend is required to ensure adequate funding and to address issues such as inter-generational equity.

The QCA targets were set against an estimated program of works from the 2010-11 year. While this was the best estimate of expected work at the time, there has been significant project churn in the three years since this estimate was made. This can mean that, in some cases, the QCA's funding allowance for renewals work does not cover the total expenditure required to maintain asset condition to the required standard. In addition, there are unexpected events, such as floods, that are not allowed for in the QCA's annuity funding allowance. Notwithstanding these points, SunWater aims to limit renewals expenditure to the QCA's targets over the 2013-17 price path in order to manage the annuity balance to reasonable levels.

Table 4 – Non-Routine Expenditure

	2013 SunWater Actual	% of 2013-17 Target	2013-17 to date Actual	% of 2013-17 Target	2013-17 QCA Target
	\$'000	%	\$'000	%	\$'000
Annuity Funded					
R&E - Annuity Funded	125		125		251
Corrective	39		39		0
Other	0		0		16
Non-direct	46		46		164
Annuity Funded Total	210	49%	210	49%	432
Non-Annuity Funded					
R&E - Non-Annuity Funded	0		0		n/a
Non-direct	0		0		n/a
Total Non-Annuity Funded	0		0		n/a

R&E – Annuity Funded

Total annuity-funded spend for the year was \$210k; at this stage SunWater expects to contain costs over the five years of the regulatory period in line with the QCA target.

Specific projects undertaken under Annuity-funded R&E include:

Replace Switchboards 1 & 3 Refurbish Switchboard 2 - Cania Dam:

As part of SunWater's electrical switchboard upgrade programme, existing equipment at Cania Dam, including the Main Switchboard in the Valve House and the distribution boards in the Piezometer Hut and Intake Tower, had been identified for various degrees of upgrade due to their current age and conditions.

The main objectives of the project are to replace existing field instruments and devices with 24Vdc models as required, to upgrade the motor starters and to meet the requirements of Australian Standard AS3000 and all other relevant regulations and standards. Involved the upgrade of switchboards, switchgear and control gear.

Justification for the job:

Condition and risk assessment during March 2011 identified that the internal components were at the end of their useful life and difficult to procure (assessed as condition five under SunWater CA methodology).

A risk assessment of 'High' was derived as: 'There is little clearance to safely access for fault finding. ...[therefore]... After isolation, accessibility to replace components unsafe'.

Replace Gas Boards in Gauging Stations 1 & 3:

Self contained gas purge smart system is purchased to replace the current boards that due for replacement.

Replacement justification:

1. Gauging stations reliability is very critical as SunWater rely on their outcomes (especially during flood event) and most of them are in remote locations.
2. The old system has been there for over 40 years and currently, replacements parts are no longer available.
3. The old system will have higher maintenance cost to run.
4. The old system is more prone to error in reading due to system leakage.
5. The old system consumes more energy
6. The old system produces less accurate readings.

Corrective Maintenance

There \$39k "Annuity-funded Corrective" direct spend in 2013 was related to flood damage activities associated with Cania Dam. All flood damage work was procured through tendering processes.

The majority of the work was:

Cania Dam – Replacement and repair of electrical and mechanical equipment, Spillway geology inspection, and gauging station repair.

Other

There was no other "Annuity-funded" spend in 2013.

R&E – Non Annuity

There was no Non-annuity funded R&E spend in 2013.

Annuity Balance

The 2013 annuity balance is shown below.

Table 5 – 2013 Annuity Balance

	2013	2014	2015	2016	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance	(337)	(466)			
Annuity Income	107	108	109	112	114
Actual Spend	(210)				
Interest	(25)				
Closing Balance	(466)				

Appendix – Total Expenditure by Expense Type

Table 6 – Expenditure for Activity by Type

	2013 SunWater Actual \$'000	% of 2013 Target %	2013-17 to date Actual \$'000	% of 2013-17 Target %	2013-17 QCA Target \$'000
ROUTINE EXPENSES					
Operations					
Labour	62		62		315
Materials	0		0		2
Contractors	3		3		19
Other	94		94		263
Non-direct	114		114		634
Operations Total	274	115%	274	22%	1,233
Preventative					
Labour	20		20		150
Materials	0		0		13
Contractors	7		7		0
Other	1		1		10
Non-direct	36		36		287
Preventative Total	64	72%	64	14%	459
Corrective					
Labour	6		6		22
Materials	3		3		6
Contractors	16		16		0
Other	8		8		0
Non-direct	15		15		42
Corrective Total	48	354%	48	69%	70
Electricity	8	85%	8	15%	53
Total Routine Expenses	394	113%	394	22%	1,814
NON-ROUTINE EXPENSES					
Annuity Funded					
R&E - Annuity Funded	125		125		251
Corrective	39		39		0
Other	0		0		16
Non-direct	46		46		164
Total Annuity Funded Non-Routine	210	49%	210	49%	432
TOTAL REGULATED EXPENSES	605		605		2,246
Non-Annuity Funded					
R&E - Non-Annuity Funded	0		0		n/a
Non-direct	0		0		n/a
Total Non-Annuity Funded	0		0		n/a
TOTAL EXPENSES	605		605		n/a